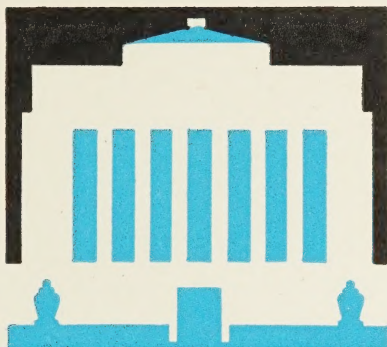


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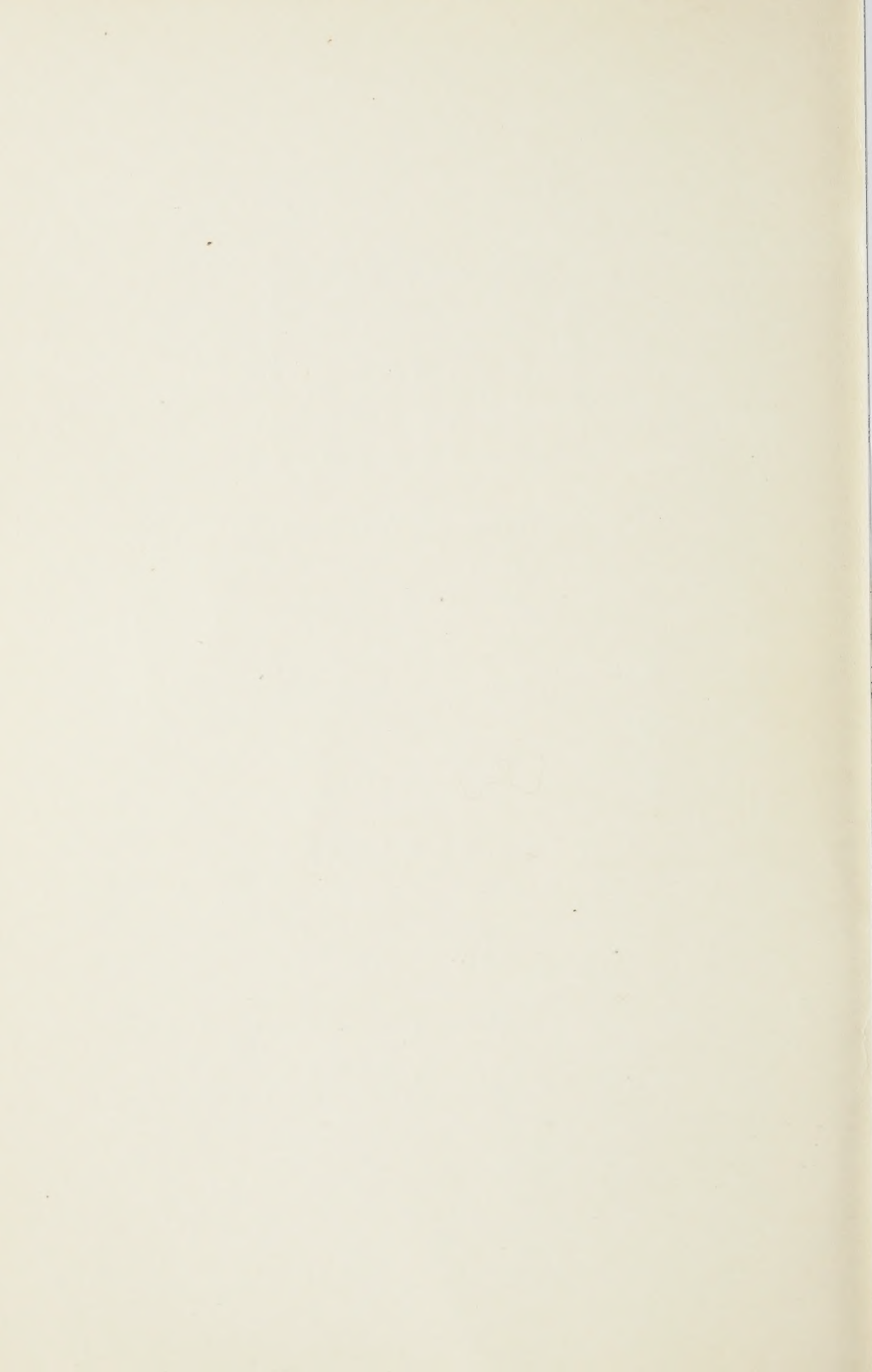
BANK OF CANADA

**ANNUAL REPORT TO
MINISTER OF FINANCE**

AND STATEMENT OF ACCOUNTS

FOR THE YEAR 1947





ERRATUM


Page 22 — *Line 13*

"When the present usually heavy demand . . ."
should be corrected to read: "When the present
unusually heavy demand"



“**WHEREAS** it is desirable to establish a central bank in Canada to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the Dominion: Therefore, His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows: . . .”

—*Preamble of the Bank of Canada Act*



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BANK OF CANADA

Ottawa, February 11th, 1948

THE HON. D. C. ABBOTT, K.C.,
Minister of Finance,
Ottawa,

Dear Sir,

In accordance with the provisions of the Bank of Canada Act Amendment Act, I am enclosing herewith in duplicate a statement of the Bank's accounts for the fiscal year 1947, signed by the Governor and the Chief Accountant, and certified by the Auditors, in the form prescribed by the by-laws of the Bank. The major changes which took place in our accounts during the course of the year are referred to on pages 23 and 24. The effect of these changes on the cash reserves of the chartered banks is shown in the following table.

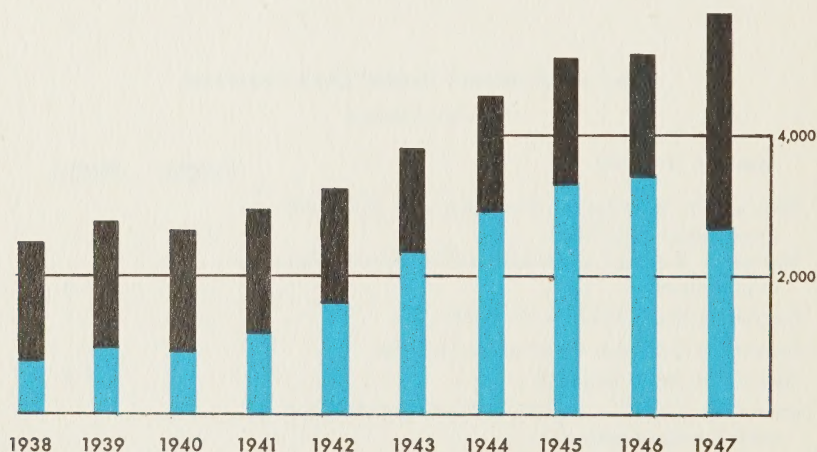
Effect on Chartered Banks' Cash Reserves

(Millions of Dollars)

| CALENDAR YEAR 1947 | <u>Decrease</u> | <u>Increase</u> |
|--|--------------------|-----------------|
| Decrease in Holdings of Dominion and Provincial Government Securities | 26.0 | |
| Increase in Holdings of Industrial Development Bank Capital Stock | | 10.0 |
| Increase in Notes Held by the Public | 18.1 | |
| Increase in Dominion Government Deposits | 6.1 | |
| Decrease in Other Deposits | | 26.3 |
| Increase in Liabilities Payable in Sterling, U.S.A. and other Foreign Currencies | 1.0 | |
| Increase in Holdings of Sterling and U.S.A. Dollars | | 1.0 |
| Decrease in Other Assets, less Other Liabilities | 8.4 | |
| | <u>59.6</u> | <u>37.3</u> |
| Deduct | 37.3 | |
| Decrease in Chartered Banks' Cash Reserves | <u><u>22.3</u></u> | |

MONETARY CONDITIONS • Dominion Government securities held by the chartered banks declined \$669 millions during 1947, largely as a result of Government debt retirement. This reduction of security holdings would, in itself, have been accompanied by a reduction in the total of the banks' Canadian deposits by a corresponding amount. However, there was a more than offsetting increase during the year of \$777 millions in the banks' Canadian loans and investments other than Dominion Government securities, and, including the effect of changes in other items, the total of their Canadian deposits rose by \$178 millions.

The daily average amount of chartered banks' cash reserves in 1947 was \$2 millions less than in 1946. Nevertheless total Canadian dollar deposits increased, as referred to above. For both of these reasons, therefore, the cash ratio of the banks declined, and averaged 10.8 per cent in 1947 as compared with 11.4 per cent in 1946.



CHARTERED BANK LOANS AND INVESTMENTS

(As at December 31st in Millions of Dollars)

- Loans and other investments
- Dominion Government securities

During 1947 the Dominion Government retired the balance of the Deposit Certificates which had been issued to chartered banks in previous years and of which \$490 millions were outstanding as at December 31st, 1946. These Certificates were the chief means by which the Government's direct borrowing needs from the banks were met during the war years, and at one time in the fall of 1945 reached a peak issue of \$1,340 millions. In 1947 the Government also paid off in cash certain maturities of other securities of which the banking system held a substantial portion.

During 1947 there was a net decline of \$170 millions in chartered bank holdings of Dominion Government bonds (excluding special banking securities such as Deposit Certificates). This decline was largely accounted for by the Government paying off certain maturities, as mentioned in the preceding paragraph, rather than by net sales in the market. However, there were certain times during the year when banks were sellers of short and medium term Government bonds in order to maintain their cash position.

The increase of \$461 millions in chartered banks' Canadian loans during 1947 was the largest annual increase on record. There was no increase in financial loans for the purpose of carrying bonds and shares and more than half of the loan expansion during the year was accounted for by loans to merchandisers and manufacturers. We estimate that loans to wholesale and retail merchandisers rose about \$120 millions in 1947 and loans to manufacturers another \$160 millions. Higher commodity prices, some increase in the volume of inventories and an upward trend in the amount of outstanding consumer credit, all contributed towards the sharp increase in banks' current loans during the year. In addition, there were undoubtedly cases where bank borrowers obtained additional credit against their current assets such as inventory and receivables, for the purpose of obtaining funds to meet capital expenditures.

Chartered banks' holdings of provincial and municipal securities increased by \$169 millions during 1947, and their portfolio of other non-government securities—largely corporate debentures—by \$147 millions. In the case of provincial, municipal and corporate investments, most of the increase in banks' holdings has been due to acquisitions at time of issue rather than to market purchases. The important extent of the banks' participation in the market for these securities in recent years is shown in the following table, which compares the increase in banks' holdings of the above-mentioned investments with the net amount of new cash raised through the issue of such securities.

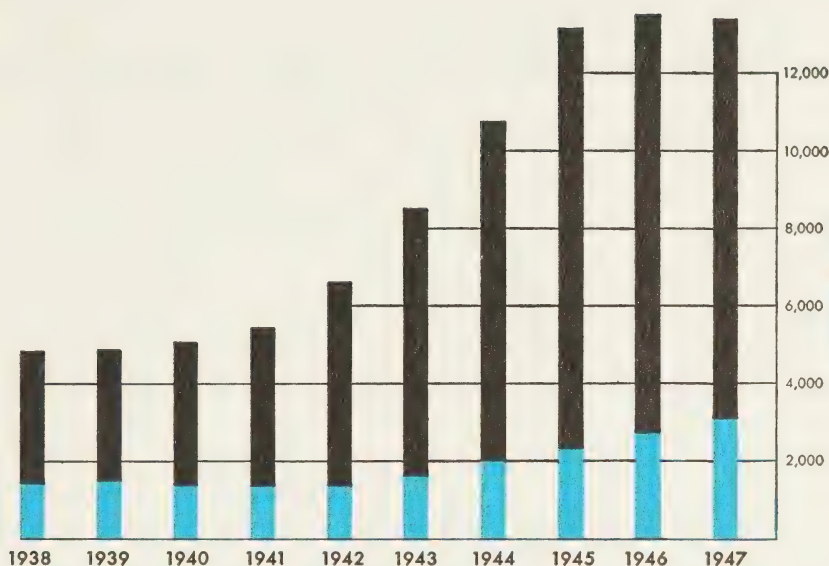
| TYPE OF SECURITY | Net Issue or Retirement of Canadian Bonds and Stocks* | | | | Net Increase in Security Portfolios of Chartered Banks | | | |
|------------------|--|-----------|------------|------------|---|------------|------------|------------|
| | 1945 | 1946 | 1947 | Total | 1945 | 1946 | 1947 | Total |
| Provincial . | 28 | 6 | 157 | 123 | 22 | 2 | 151 | 175 |
| Municipal . | 43 | 3 | 25 | 15 | 15 | 24 | 18 | 57 |
| Corporation | 23 | 62 | 81 | 166 | 23 | 88 | 147 | 258 |
| Total . | <u>48</u> | <u>59</u> | <u>263</u> | <u>274</u> | <u>60</u> | <u>114</u> | <u>316</u> | <u>490</u> |

It is clear that the present rate of capital development is straining Canada's manpower and material resources, and is pushing up prices. At the same time business, which in general entered the post-war period with unusually large liquid reserves, has been looking increasingly to banks for financing.

In my last annual report covering the year 1946, I referred to the fact that Canadians, like people in most other countries, had in recent years chosen to hold an increasing amount of their accumulated savings in the form of interest-bearing savings deposits*. It was pointed out that the banks had found it necessary

*Source: Appendix A, page 30. The table understates the total volume of net new issues of these securities in the Canadian market by the amount of the net reduction of foreign holdings of such securities through retirement or refunding.

*The Bank has developed a presentation of statistics concerning money supply and related bank assets which differs in several important respects from the table presented in previous annual reports. The new series are shown in Appendices B and C.



PUBLIC* HOLDINGS OF INACTIVE LIQUID ASSETS

(As at December 31st in Millions of Dollars)

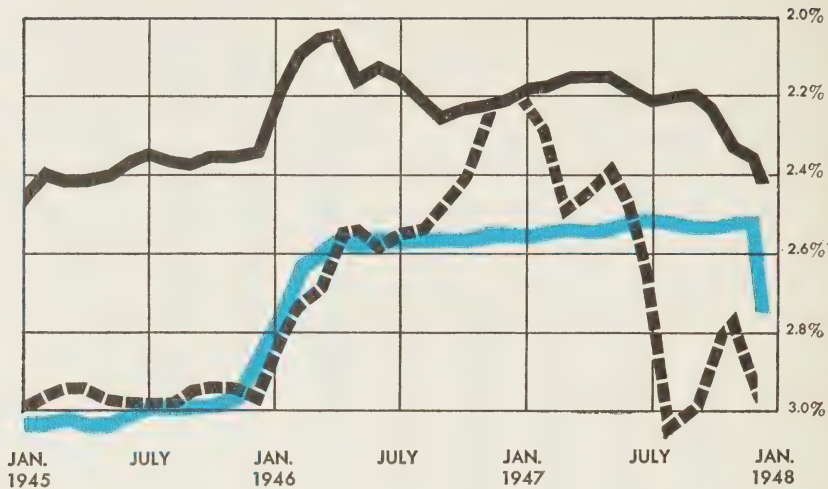
■ Dominion Government bonds

■ Inactive savings deposits

*All investors other than Government Accounts, Bank of Canada and Chartered Banks.

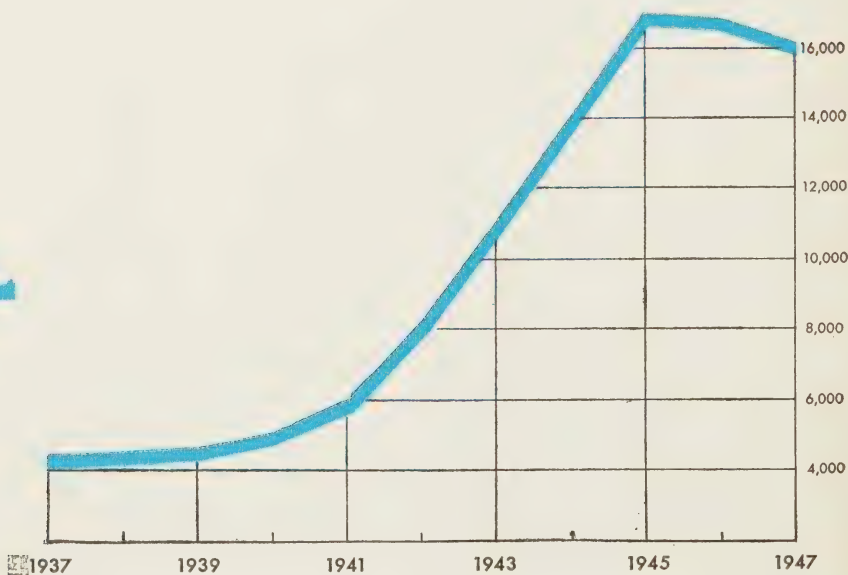
to invest in Dominion Government bonds in view of the fact that their scope for employing such funds in making commercial loans had been relatively limited.

During 1947 there was a marked change in this situation. A large increase took place in banks' loans and non-Dominion Government investments, to which reference has already been made, and in comparison with previous years the public chose to transfer a somewhat smaller amount of its accumulated savings into the form of interest-bearing deposits. Banks were not in the position, as in earlier years, of seeking to invest in Government bonds, and during 1947 the ratio of such securities to personal



LONG TERM GOVERNMENT BOND YIELDS
(Monthly Averages)

- Canada: 3% issue due February 1st, 1959 — 62
- - - United States: 2½% issue due December 15th, 1963 — 68
- · · United Kingdom: 3% issue due April 15th, 1959 — 69



DOMINION GOVERNMENT DEBT OUTSTANDING
(As at December 31st in Millions of Dollars)

savings deposits declined appreciably below the maximum of 90 per cent which was recognized in the agreement between banks and Government early in 1946.

SECURITY MARKETS • Prices for Dominion Government bonds were steady in Canada during 1947, the yield on the longest dated issue approximating 2.60 per cent throughout the year. Early in January 1948 the Bank discontinued its practice of furnishing daily quotations for Dominion Government securities to investment dealers and chartered banks, but continued to buy and sell in the market. Market prices declined at this time to a level where a yield of about 2.80 per cent could be obtained on the longest Victory Loan issue.

The Government bond market in the United Kingdom showed wide fluctuations during 1947. The longest dated issue sold at a price to yield approximately 3.00 per cent at the end of 1947, as compared with about 2.40 per cent a year before. Government bonds changed little in price in the United States during the first three quarters of the year, but in the last quarter declines took place bringing the yield on the longest issue from 2.33 per cent to 2.48 per cent.

Provincial, municipal and corporation bond prices in Canada declined during the last quarter, resulting in a widening of the spread in yield between such issues and those of the Dominion Government.

The table of net new Canadian bond and stock issues, less retirements, which is given in Appendix A, shows 1947 to have been in even sharper contrast with the wartime years than was 1946. Dominion Government domestic bonds outstanding declined \$239 millions during 1947 as compared with an increase of \$201 millions in 1946. There was also a net reduction of \$346 millions during 1947 in the amount of Dominion Deposit Certificates, Treasury Bills and Short Term Notes outstanding.

The first series of Canada Savings Bonds which was introduced in October 1946 remained on sale until the end of August

1947. Sales during 1947 totalled \$48 millions, making total sales for the issue \$535 millions; the amount outstanding at the end of 1947 was \$417 millions. In October a second series was offered and by the end of December about 900,000 individuals had subscribed for a total of \$267 millions. There is one major change in the terms of the second series, in that holdings are limited to \$1,000 per person; the limit on the first series was \$2,000 per person. Many reports have testified to the value of the special features of the Canada Savings Bond, and particularly of the Payroll Savings Plan, in meeting the needs of those who wish to save on a systematic basis.

During 1947 the totals of provincial, municipal and corporate bonds outstanding all increased. This marked the first increase in outstanding provincial debt since 1940, the first increase in corporate debt since 1936 and the first appreciable increase in municipal debt since 1932. New issues of common and preferred stock were greater in amount than in 1946 and the largest for many years. Taking all non-Dominion Government securities as a group, the net increase in the amount outstanding was \$263 millions in 1947 as compared with \$59 millions in 1946 and a net reduction of \$48 millions in 1945. Towards the end of 1947 signs of congestion appeared in the new issue market and flotations of common and preferred stock fell to a low level.

ECONOMIC DEVELOPMENTS ABROAD • Before turning to general economic conditions in Canada, it is necessary to refer briefly to certain developments abroad. A year ago, although Western European countries were still suffering from wartime losses of capital equipment and foreign assets, from depleted stocks of fuel and raw materials, and from war-created distortions in the distribution of their labour force, domestic recovery seemed to be well under way. During 1947, however, production in these countries suffered a series of reverses. During the winter unprecedented snow and cold disrupted transport and precipitated a fuel crisis. In the spring, floods interfered with crop planting. Subsequently,

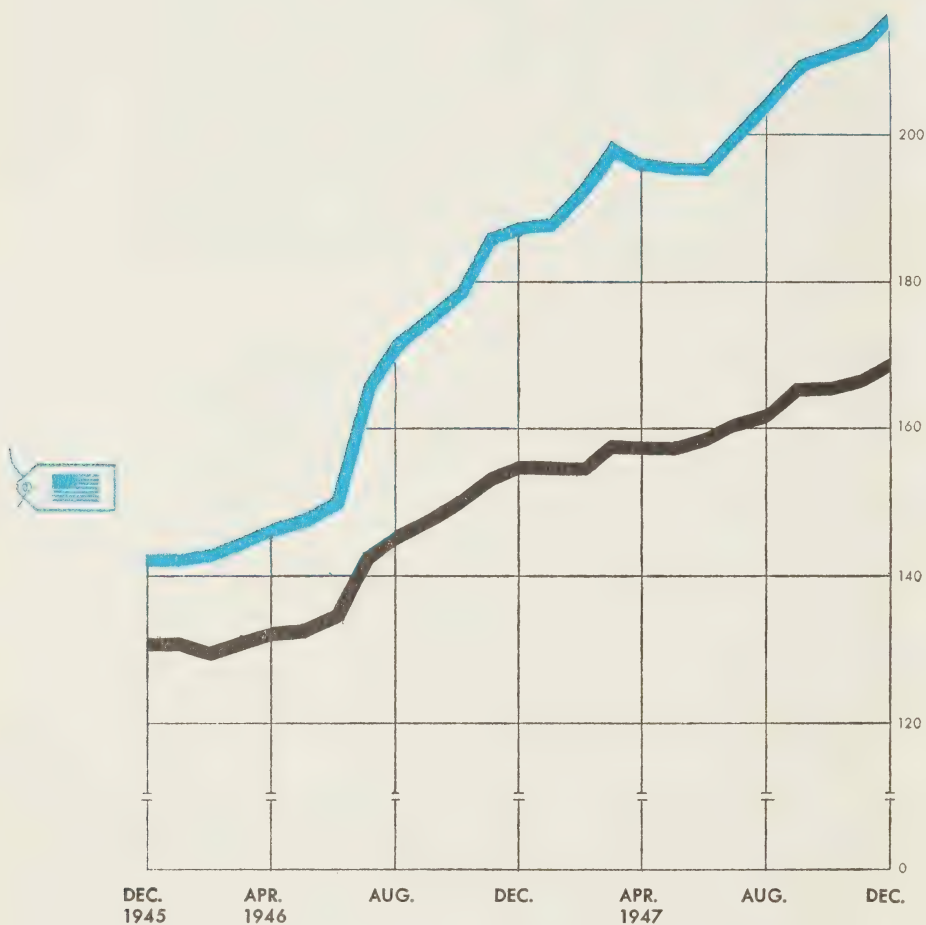
drought further reduced Western European food production and led to a shortage of hydro-electric power. Later in the year industrial production in some countries was severely hampered by widespread strikes.

As a result, although the year closed on a more hopeful trend than had been in evidence a few months before, Western Europe's recovery had been seriously set back, and heavy emergency imports of food were required from the Western Hemisphere for the present crop year. It also became increasingly clear during 1947 that economic unification of Germany and the rebuilding of normal trade between Eastern and Western Europe would at best be hampered or at worst might be prevented by political factors.



UNITED STATES • A year ago it was generally expected that 1947 would see the attainment of a better balance between supply and demand in the United States. Many indeed forecast that some recession would take place before the end of the year. However, this did not happen during 1947, an important reason being the unfavourable European developments already referred to, which brought unexpectedly heavy demands into the United States market. Total foreign expenditures on goods and services in the United States were about \$19 billions in 1947 as compared with \$15 billions in 1946, and their impact was greater than these figures indicate because of the intensity of foreign demand for food products and particularly grains.

Another key factor in the United States situation is its capital development boom. Capital investment had risen to a vulnerably high level at the beginning of 1947 and showed signs of faltering early in the year. Subsequently, however, it rose still further in spite of very high costs, and totalled in value more than \$30 billions in 1947 as compared with less than \$25 billions in 1946.

With these two critical demand factors in the United States market showing continued expansion, and with price control no longer in effect, the U.S. price level rose appreciably during the



UNITED STATES PRICE INDEXES
(August 1939 = 100)

 General wholesale prices
 Cost of living

year. The general wholesale price index increased by 16 per cent during 1947, and the index of consumer prices by 9 per cent. Average hourly earnings in manufacturing industry rose by about 11 per cent over the year, and average weekly earnings by nearly 12 per cent.

United States Price and Earnings Indexes ★

| | | Aug. 1939 | Aug. 1945 | Dec. 1946 | Dec. 1947 |
|----------------------------|---|--------------|--------------|--------------|--------------|
| General Wholesale Prices ① | . | 100 | 141 | 188 | 217 |
| Consumer Prices ② | . | 100 | 131 | 155 | 169 |
| Average Hourly Earnings ③ | . | 100 | 162 | 181 | 202 |
| Average Weekly Earnings ③ | . | 100 | 175 | 197 | 220 |

Prices during 1948 will clearly depend to an important extent on grain crop prospects and harvests in Western Europe and the chief exporting countries. Last year the total tonnage of grain produced in this area as a whole was down about 12 per cent from 1946. Any substantial improvement over the disappointing results for 1947 would have a strong anti-inflationary influence.

EMPLOYMENT AND PRODUCTION IN CANADA • Against a world-wide background of heavy demand for goods and rising prices, economic activity in Canada rose during 1947 to a new peace-time peak. A year ago unemployment was already at the very low level of less than 3 per cent of the working force, and only a small net addition to the number at work could be expected from this source during 1947. In point of fact the slight further reduction of 30,000 in the number of unemployed was about offset by voluntary withdrawals from the working force over the year. Consequently most of the 100,000 or 2 per cent increase in over-all employment is attributable to natural growth of the working force, which accounted for about 60,000, and to immigration.

★ Official Bureau of Labor Statistics figures converted to the base Aug. 1939 = 100, or in case of earnings data to 1939 average = 100.

① Average of Wednesdays.

② Mid-month.

③ Relates to manufacturing industry, for pay period nearest to mid-month. Actual average earnings for Dec. 1947 were \$1.277 (hourly) and \$52.51 (weekly).

Estimated Distribution of Manpower ★

(Thousands)

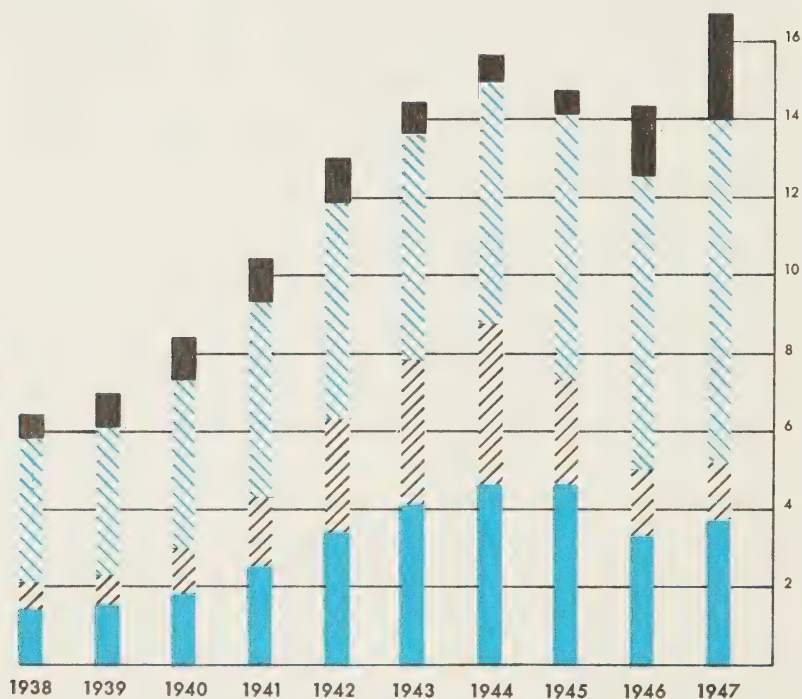
| | <u>June</u> <u>1939</u> | <u>June</u> <u>1944</u> | <u>Nov.</u> <u>1946</u> | <u>Nov.</u> <u>1947</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Armed Services | 10 | 780 | 50 | 30 |
| Wage & Salary Earners, War Industry | ... | 1,030 | ... | ... |
| Wage & Salary Earners, Civilian Industry } Employers and Workers on Own Account } | 2,400 | 2,140 | 3,150 510 | 3,220 560 |
| Agriculture | 1,280 | 1,190 | 1,070* | 1,070* |
| Total Employed—As Above | 3,690 | 5,140 | 4,780 | 4,880 |
| Unemployed | 650 | 80 | 120 | 90 |
| Keeping House, Students and All Others 14 Years and Over | 3,950 | 3,670 | 4,270 | 4,330 |
| Total Population 14 Years and Over | <u>8,290</u> | <u>8,890</u> | <u>9,170</u> | <u>9,300</u> |

★ Based on data from the Dominion Bureau of Statistics and the Department of Labour.

* Reflects seasonally low employment in agriculture.





Increases in industrial productivity, which normally occur rather slowly in any case, were limited in 1947 by continuing bottlenecks in the supply of certain basic materials such as steel. The available information suggests that industrial output rose by about 10 per cent during the year, while the volume of agricultural production was reduced by about 7 per cent owing to unfavourable crop conditions. The output of services, which account for about one-third of total employment and a somewhat higher proportion of the total value of production, is difficult to estimate. However, the production of services was probably very little higher in 1947 than in 1946, and it seems likely that the over-all physical volume of production of goods and services combined showed only a slight increase for the year.

EXPENDITURE AND PRICES • While the physical volume of Canadian production of goods and services increased only slightly from 1946 to 1947, over-all dollar expenditure on Canadian goods and services rose substantially. Foreign expenditure in Canada increased by about 10 per cent from the extraordinarily high peacetime level of the previous year. Private capital expenditure on plant, equipment and housing increased by more than 50 per cent, and the book value of inventories rose by about 30 per cent over the year. Consumers spent a larger proportion of their income than in any year since 1939, and this together with a considerable increase in their income brought total dollar expenditure on consumers' goods and services about 13 per cent above the 1946 level. A substantial reduction in Dominion Government expenditure on goods and services more than offset increased provincial and municipal outlays. Moderating the effect of the over-all increase in expenditures in Canada was the large expansion in imports of goods, which rose by more than \$700 millions or by nearly 40 per cent from 1946 to 1947. In physical terms the increase in commodity imports was only some 15 per cent, but this addition to the volume of raw materials, capital equipment and other goods available in our market was clearly a counter-inflationary influence.



ESTIMATED EXPENDITURE* IN CANADA

(Calendar Years in Billions of Dollars)

-  Private capital investment (includes investment in inventories)
-  Personal expenditure on consumer goods and services
-  Expenditure of all Governments on goods and services
-  Exports of goods and services

*Before deductions of cost of imported goods and services

Estimated Expenditure on Canadian Goods and Services ★

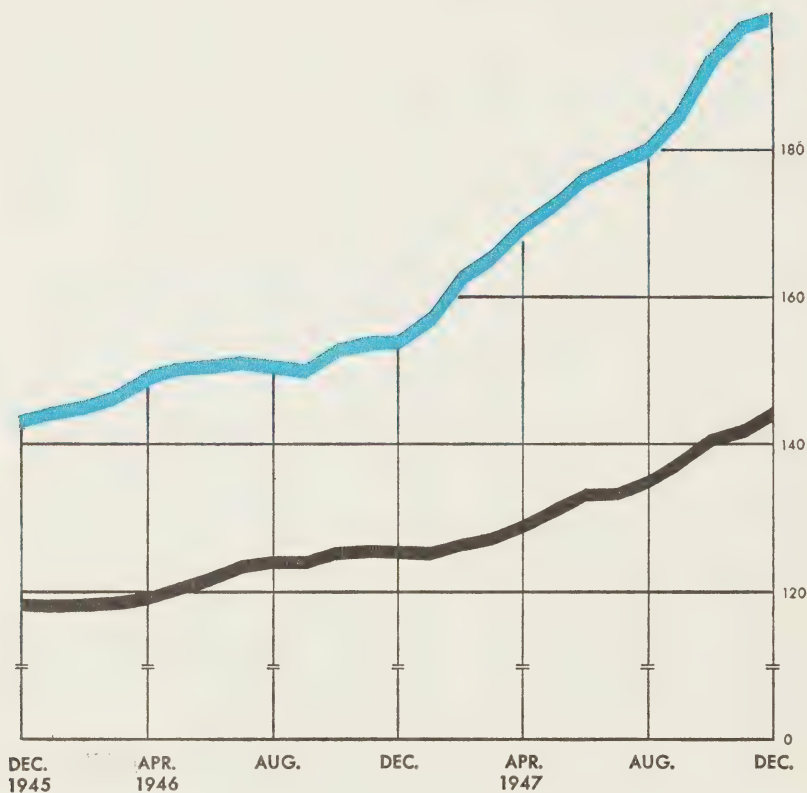
(Calendar Years, in Billions of Dollars)

| | <u>1938</u> | <u>1944</u> | <u>1946</u> | <u>Prelim. 1947</u> |
|--|-------------------|--------------------|--------------------|-------------------------|
| Exports of Goods and Services① | 1.4 | 4.5 | 3.4 | 3.7 |
| Investment in Inventories | ... | .1 | .5 | .8 |
| Other Private Capital Investment | .6 | .7 | 1.3 | 2.0 |
| All Governments' Expenditure on Goods and Services | .7 | 4.1 | 1.7 | 1.5 |
| Personal Expenditure on Consumers' Goods and Services | <u>3.7</u> | <u>6.1</u> | <u>7.7</u> | <u>8.7</u> |
| Sub-Total | 6.4 | 15.3 | 14.6 | 16.7 |
| Less—Cost of Imported Goods and Services Included Above | <u>1.3</u> | <u>3.5</u> | <u>2.9</u> | <u>3.6</u> |
| Gross National Expenditure (= Gross National Product) | <u><u>5.1</u></u> | <u><u>11.8</u></u> | <u><u>11.7</u></u> | <u><u>13.1</u></u> |

After allowing for the offset of increased imports, total expenditure on Canadian goods and services, i.e., Gross National Expenditure rose, by roughly \$1,400 millions or about 12 per cent from 1946 to 1947. Since physical production of goods and services was only slightly greater than in 1946, increased expenditure of this magnitude obviously involved higher prices. In the case of private capital investment, where the increase in expenditure was large even in terms of physical volume, the increase was clearly an important factor in pushing up prices. In the case of consumers' expenditure, however, where there was only a small percentage increase in physical volume, higher prices and increased dollar expenditure were largely the result of rising costs of imported goods or materials, and increased prices in export markets.

★ Based on National Accounts: Income and Expenditure; 1938-46 and 1946-7, published by the Dominion Bureau of Statistics. Minor adjustments have been made in the Bureau figures in the process of rounding off, in order to eliminate the residuals arising from errors and omissions.

① Dominion Government expenditure on Mutual Aid, UNRRA and other relief is excluded from Government Expenditure and included in Exports.



CANADIAN PRICES INDEXES
(August 1939 = 100)

General wholesale prices
Cost of living

The combined effect of upward pressure on our price level from foreign and domestic sources was to increase the general wholesale price index by 28 per cent, and the cost of living index by 15 per cent during 1947. Although the situation with respect to wage rates varied considerably among different groups of wage earners, average hourly earnings of hourly rated employees in manufacturing industry rose by about 15 per cent over the year, and their average weekly earnings increased by nearly 16 per cent.

Canadian Price and Earnings Indexes★

| | | <u>Aug. 1939</u> | <u>Aug. 1945</u> | <u>Dec. 1946</u> | <u>Dec. 1947</u> |
|---------------------------|-------|----------------------|----------------------|----------------------|----------------------|
| General Wholesale Prices① | . | 100 | 144 | 155 | 198 |
| Cost of Living② | . . . | 100 | 120 | 126 | 145 |
| Average Hourly Earnings③ | . | 100 | 157 | 168 | 193 |
| Average Weekly Earnings③ | . | 100 | 154 | 161 | 186 |

In my last annual report I referred to the fact that Canadian prices had risen considerably less than United States prices since the end of the war. In the intervening year the gap has narrowed to some extent but the general level of prices and costs in Canada is still lower than in the United States and most other countries, in relation to any normal base period.

The fact that we exported nearly \$2,800 millions worth of goods in 1947, that we import goods on almost as great a scale, and that the prices of these goods are directly and immediately affected by external price movements, shows how difficult it is to prevent Canadian prices from being affected by price changes

★ Official Dominion Bureau of Statistics figures converted to the base Aug. 1939 = 100, or in the case of earnings data to 1939 average = 100.

① Mid-month.

② First of month.

③ Covers hourly rated wage-earners in manufacturing establishments with 15 or more employees. Figures are for last pay period in previous month. Actual average earnings for Dec. 1947 were 85½¢ (hourly) and \$37.19 (weekly).

abroad. Short of substantially appreciating its exchange rate and increasing its taxation, no country could have insulated itself completely from the world-wide rise in prices. Theoretically it might be contended that this could be done by means of direct controls, but these would have to be very much more rigorous and complete than those of wartime, to say the least.

EXCHANGE SITUATION • Reduction in Canada's gold and foreign exchange reserves during 1947 has tended to obscure the fact we still exported in that year more goods and services, in total, than we imported. It is evidence of Canada's growing productive capacity that in this period of extraordinary capital development and heavy imports of capital goods we have not, by contrast with 1929 and other earlier periods of boom, had a deficit in our current transactions with the rest of the world as a whole.

Our present foreign exchange problem therefore arose not from inadequate productivity, nor indeed from the character of our production. It has arisen rather from the traditional direction of our exports and imports, and the difficulties which beset our customers in Western Europe. Under present conditions of scarcity, a large part of our surpluses which are normally exported to Europe are of a kind for which there is a strong cash demand outside Europe, but exports have in fact been maintained to our traditional customers even though they were unable to pay cash in full, or to supply Canada with an increased volume of imports.

In my last annual report I referred to the export credits which Canada, along with the United States and other countries, had extended to her war-ravaged allies as part of a broadly based program to rehabilitate their economies and re-establish their ability to trade. During 1947 some \$560 millions of our sales to other countries were financed out of drawings on Canadian export credits, and roughly \$40 millions out of Canadian relief appropriations. For approximately \$600 millions of our sales, therefore, we received no immediate cash return. At the same time, we had to pay cash for all our purchases from other countries, and our total

sales to other countries did not exceed our total purchases from them by more than a comparatively small amount, perhaps of the order of \$70 millions. Consequently we had a cash deficiency on our current transactions with other countries of some \$530 millions, and a drain on our foreign exchange reserves of an equivalent amount. This, together with payment of \$74 millions on our subscription to the International Monetary Fund, redemptions of Canadian bonds held abroad, and other net capital payments abroad, account for the over-all reduction of \$743 millions in our gold and foreign exchange reserves during 1947.

When Canada's export credit program of some \$1,850 millions was undertaken, it was realized that it would involve a considerable drain on our exchange reserves, even if — as was then expected — drawings were spread over a period running to 1950. Owing to the unfavourable developments in Europe referred to in a preceding section, the need for goods from Canada has been greater, supplies available for export to Canada have been less, and drawings on the credits have been more rapid than contemplated. In point of fact, more than three-quarters of the total credits had been drawn by the end of 1947.

Having in mind the present level of our gold and foreign exchange holdings, and the magnitude of our trade with other countries, there is clearly need to increase these holdings. In such circumstances, we need to have an over-all balance of payments surplus greater than the value of any export sales which are financed out of the credits and for which, therefore, no immediate payment is received. The development of a larger balance of payments surplus involves increasing our exports, or reducing our imports, or both. In the last analysis (and apart from an improvement in average export prices relative to average import prices) these can only be achieved by increasing productivity and production, or by reducing or postponing domestic spending, particularly for non-essential capital purposes.

Proposals with regard to a European Recovery Program by the United States are, of course, of great interest to Canada.

Implementation of such a program would not remove the need for Canada to increase the present small current account surplus in her over-all balance of payments. We need to increase this surplus if we are to be able to build up our exchange reserves to a more normal level and extend aid to other countries even on a much smaller scale than in recent years. What a European Recovery Program could do, in the short run, is to facilitate the continuance of Canadian shipments to Western European countries where they are badly needed; and without such a program the exchange problem of Canada, and indeed of practically all other Western Hemisphere countries, would be greatly aggravated. But we have an even greater interest in the long-run implications of a European Recovery Program. When the present usually heavy demand for goods has declined, Canadian exports and employment will be influenced to an important degree by the extent of recovery in Europe. We are, therefore, vitally concerned with any program which will help to strengthen the European economy and re-establish it as a substantial factor in normal international trade.

I turn now to the major changes which took place in the Bank of Canada's accounts during 1947, on which it is customary to comment in this report.

FORM OF STATEMENT OF ASSETS AND LIABILITIES • In accordance with the provisions of Section 33, Subsection 6, of the Bank of Canada Act Amendment Act, certain changes have been made in the form of the Bank's Statement of Assets and Liabilities. In the previous form of this Statement, Bank of Canada's holding of the capital stock of the Industrial Development Bank of necessity was included under the heading "Other Investments". A separate heading for this particular item of our Assets has now been established.

As provided by Section 21 (1) (n) of the Bank of Canada Act Amendment Act, the Bank has maintained working balances with central banks in various other countries. If a country's currency was not Sterling, U.S.A. dollars or convertible into gold,

the previous form of the Bank's Statement of Assets and Liabilities did not permit such a balance being shown as part of our holdings of foreign currency and it was therefore included under the heading "All Other Assets". In view of this situation and the fact that the heading "Reserve", under which the first four Asset items on our Statement have been grouped, does not serve any particular purpose at the present time when Canada's gold and foreign exchange reserves are almost entirely held by the Foreign Exchange Control Board, it has been decided to omit the heading "Reserve" and change "Other Currencies of Countries on a Gold Standard" to "Other Currencies". At the same time the wording of Liability Item 5 on our Statement has been revised along the same lines becoming "Liabilities Payable in Sterling, U.S.A. and Other Foreign Currencies" instead of "Liabilities Payable in Sterling, U.S.A. and Foreign Gold Currencies."

In the following description of the major changes in our accounts during 1947, special reference has been made where comparability has been affected by the foregoing changes in the form of the Bank's Statement of Assets and Liabilities.

NOTES IN CIRCULATION • The Bank of Canada note issue at the end of December 1947 was \$1,211,350,386, up \$25,148,705 from the same date a year before. Of the total amount of our notes outstanding, \$1,027.4 millions were held by the public and \$183.9 millions by the chartered banks. The increase in notes held by the public was \$18.1 millions as compared with \$43.1 millions in 1946 and was the smallest increase for any year since 1938.

INVESTMENTS • The Bank's holdings of Dominion and Provincial Government securities were \$1,879,554,162 at December 31st, 1947, having decreased by \$26,046,847 during the year. This decline in our holdings of Government securities was accounted for by Government taking up certain short-term banking issues held by the Bank, rather than by sales of securities in the market; on the contrary an appreciable amount of short and medium term Govern-

ment bonds was added to the Bank's portfolio during the year as the result of security transactions with the market.

Section 21 (1) (d) of the Bank of Canada Act Amendment Act provides that the Bank's holdings of government securities not maturing within ten years shall not exceed in par value five times the amount of the paid-up capital and rest fund of the Bank, i.e. \$75.3 millions. The par value of our holdings of such securities on December 31st last was \$44.8 millions as compared with \$45.0 millions a year before.

CAPITAL STOCK OF INDUSTRIAL DEVELOPMENT BANK • At December 31st, 1947, the Bank's holding of the capital stock of the Industrial Development Bank amounted to \$25,000,000 and consisted of two hundred and fifty thousand shares. One hundred thousand shares were purchased in 1944 in accordance with the terms of Section 12, Subsection (2) of the Industrial Development Bank Act. To meet the Industrial Development Bank's increased capital requirements, we purchased under the same authority a further fifty thousand shares in 1946 and the remaining one hundred thousand shares of our subscription in 1947. In previous years the Bank's holding of these shares was shown under the heading "Other Investments".

PROFIT AND LOSS • The net profit from our operations in 1947, after providing for contingencies and reserves, was \$19,053,325.43. Payment of a dividend of \$225,000 on capital stock held by the Minister of Finance left \$18,828,325.43 available as compared with \$21,011,194.96 in 1946. The Bank's interest and discount earnings were somewhat less than during 1946, and operating expenses were higher largely because of the increase in the number of our employees referred to in the paragraph on Staff.

BANK RATE • Bank rate remained unchanged during 1947 at $1\frac{1}{2}$ per cent. As in previous years, banks had little occasion to borrow from us.

STAFF • The staff of the Bank including those engaged on duties for the Foreign Exchange Control Board numbered 1,316 at December 31st, 1947, an increase on the year of 295. A reduction of 125 in the staff in other departments was more than offset through the assumption by the Bank under the terms of the Foreign Exchange Control Board Act of the obligation to provide the Board with such officers, clerks and employees as may be required by the Board. The rising volume of foreign exchange transactions, the modifications of operating methods resulting from the changes in arrangements for settlement of trade balances with the sterling area and the added duties and responsibilities arising out of the import and travel restrictions announced by the Government last November, have all contributed to the increase in the number of staff engaged on duties for the Board from 240 at the beginning of the year to 420 on December 31st.

I wish to record my sincere appreciation of the co-operation of members of the staff, whose duties have been carried out energetically and loyally during the year.

I am, Dear Sir,
Yours faithfully,
G. F. TOWERS, *Governor.*



PROFIT AND LOSS ACCOUNT

for the year ended December 31st, 1947



PROFIT FOR THE YEAR ENDED DECEMBER 31ST,
1947, after making provision for contingencies
and reserves \$ 19,053,325.43

APPROPRIATED AS FOLLOWS: Dividends for the
year ended December 31st, 1947, at the rate of
4½% per annum —

| | | |
|---|----------------------|-------------------|
| <i>No. 26 paid July 2nd, 1947 . .</i> | <i>\$ 112,500.00</i> | |
| <i>No. 27 payable January 2nd, 1948</i> | <i>112,500.00</i> | <i>225,000.00</i> |
| | <hr/> | <hr/> |

BALANCE, TRANSFERRED TO THE RECEIVER
GENERAL OF CANADA for credit to the Con-
solidated Revenue Fund \$ 18,828,325.43

BANK OF CANADA • STATEMENT

LIABILITIES

Capital Paid Up: Authorized and Issued —

| | | | |
|--|---|----|--------------|
| 100,000 shares, par value \$50.00 each | . | \$ | 5,000,000.00 |
|--|---|----|--------------|

| | | | |
|---------------------|---|--|---------------|
| Rest Fund | . | | 10,050,366.82 |
|---------------------|---|--|---------------|

| | | | |
|--------------------------------|---|--|------------------|
| Notes in Circulation | . | | 1,211,350,385.72 |
|--------------------------------|---|--|------------------|

Deposits:

| | | | |
|-------------------------------|---|----|---------------|
| Dominion Government | . | \$ | 87,607,698.55 |
|-------------------------------|---|----|---------------|

| | | | |
|---------------------------|---|--|----------------|
| Chartered Banks | . | | 536,161,793.26 |
|---------------------------|---|--|----------------|

| | | | |
|-----------------|---|--|----------------|
| Other | . | | 67,523,489.13 |
| | | | 691,292,980.94 |

Liabilities payable in Sterling, U.S.A., and

| | | | |
|--|---|--|--------------|
| Other Foreign Currencies: Deposits | . | | 1,978,666.95 |
|--|---|--|--------------|

| | | | |
|--|---|--|------------|
| Dividend Declared: payable January 2nd, 1948 | . | | 112,500.00 |
|--|---|--|------------|

| | | | |
|---------------------------------|---|--|--------------|
| All Other Liabilities | . | | 5,435,578.10 |
|---------------------------------|---|--|--------------|

| | | | |
|--|---|--|---------------------|
| | . | | \$ 1,925,220,478.53 |
| | | | \$ 1,925,220,478.53 |

AUDITORS' REPORT • We have made an examination of the above statement of assets and liabilities of the Bank of Canada as at 31st December, 1947, and have received all the information and explanations we have required. We report that, in our opinion, it correctly sets forth the position of the Bank at 31st December, 1947, according to the best of our information and as shown by the books of the Bank.

J. G. GLASSCO, F.C.A.,
of Clarkson, Gordon & Co.

JEAN VALIQUETTE, C.A.,
of Anderson & Valiquette.

Ottawa, Canada, January 28th, 1948.

F A S S E T S A N D L I A B I L I T I E S

AS AT DECEMBER 31st 1947

ASSETS

| | | | |
|---|----------------|----|------------------|
| Foreign Exchange: Sterling and U.S.A. dollars | | | |
| —at market value. . . . \$ | 1,958,590.87 | | |
| Other currencies—at | | | |
| market value | 226,483.34 | \$ | 2,185,074.21 |
| | <hr/> | | |
| Subsidiary Coin | | | 131,437.02 |
| Investments: Dominion, Dominion Guaranteed and Provincial Government short-term securities—at values not exceeding market \$1,022,024,821.94 | | | |
| Other Dominion, Dominion guaranteed and Provincial Government securities—at values not exceeding market | 857,529,339.78 | | 1,879,554,161.72 |
| | <hr/> | | |
| Industrial Development Bank: Total share capital, at cost | | | 25,000,000.00 |
| Bank Premises: Land, Buildings and Equipment—at cost, less amounts written off. | | | 2,341,722.08 |
| All Other Assets | | | 16,008,083.50 |
| | | | <hr/> |
| | | \$ | 1,925,220,478.53 |

G. F. TOWERS, *Governor*

H. R. EXTENCE, *Chief Accountant*

APPENDIX A

Estimated Net New Issues or Retirements

(Par Values in Millions of Canadian Dollars)

| | YEAR | Dominion & C.N.R. Bonds* | Provincial Bonds | Municipal Bonds | Private Bonds | Corporation Stocks | TOTAL |
|---|----------|--------------------------------|---------------------|--------------------|------------------|-----------------------|-------|
| <i>Payable in Canada Only</i> | 1936.... | 170 | 66 | 13 | 182 | 44 | 449 |
| | 1937.... | 25 | 82 | 9 | 75 | 32 | 205 |
| | 1938.... | 91 | 59 | 9 | 31 | 9 | 181 |
| | 1939.... | 74 | 51 | 24 | 96 | 14 | 211 |
| | 1940.... | 444 | 75 | 14 | 22 | 5 | 488 |
| | 1941.... | 730 | — | 32 | 33 | — | 665 |
| | 1942.... | 1,830 | 7 | 47 | 11 | 3 | 1,776 |
| | 1943.... | 2,606 | 7 | 40 | 26 | — | 2,547 |
| | 1944.... | 2,692 | 39 | 17 | 18 | — | 2,618 |
| | 1945.... | 3,551 | 14 | 34 | 52 | 25 | 3,580 |
| | 1946.... | 201 | 30 | 11 | 121 | 71 | 434 |
| | 1947.... | 239 | 227* | 95 | 236 | 9† | 328 |
| <i>Payable Abroad, Only or Optionally</i> | 1936.... | 39 | 27 | 14 | 141 | — | 221 |
| | 1937.... | 14 | 24 | 16 | 87 | — | 141 |
| | 1938.... | 21 | 11 | 21 | 42 | — | 95 |
| | 1939.... | 96 | 29 | 15 | 129 | — | 211 |
| | 1940.... | 144 | 15 | 16 | 35 | — | 210 |
| | 1941.... | 193 | 18 | 14 | 31 | — | 256 |
| | 1942.... | 292 | 41 | 14 | 64 | — | 411 |
| | 1943.... | 148 | 25 | 13 | 36 | — | 222 |
| | 1944.... | 68 | 27 | 10 | 20 | — | 125 |
| | 1945.... | 47 | 14 | 9 | 54 | — | 124 |
| | 1946.... | 154 | 36 | 8 | 130 | — | 328 |
| | 1947.... | 31 | 70 | 70 | 151 | 13 | 335 |
| <i>Total</i> | 1936.... | 131 | 39 | 27 | 41 | 44 | 228 |
| | 1937.... | 11 | 58 | 25 | 12 | 32 | 64 |
| | 1938.... | 70 | 48 | 30 | 11 | 9 | 86 |
| | 1939.... | 22 | 80 | 39 | 33 | 14 | — |
| | 1940.... | 300 | 60 | 30 | 57 | 5 | 278 |
| | 1941.... | 537 | 18 | 46 | 64 | — | 409 |
| | 1942.... | 1,538 | 34 | 61 | 75 | 3 | 1,365 |
| | 1943.... | 2,458 | 18 | 53 | 62 | — | 2,325 |
| | 1944.... | 2,624 | 66 | 27 | 38 | — | 2,493 |
| | 1945.... | 3,504 | 28 | 43 | 2 | 25 | 3,456 |
| | 1946.... | 47 | 6 | 3 | 9 | 71 | 106 |
| | 1947.... | 270 | 157* | 25 | 85 | 4† | 7 |

* Includes War Savings Certificates, but excludes Treasury Bills, Deposit Certificates and short-term notes sold directly to the Bank of Canada and the chartered banks, of which the amount outstanding increased by 12, nil, 5, 200, 315, 290, 633, 535, 248, 695, 250 and 346 in the calendar years 1936 to 1947 respectively.

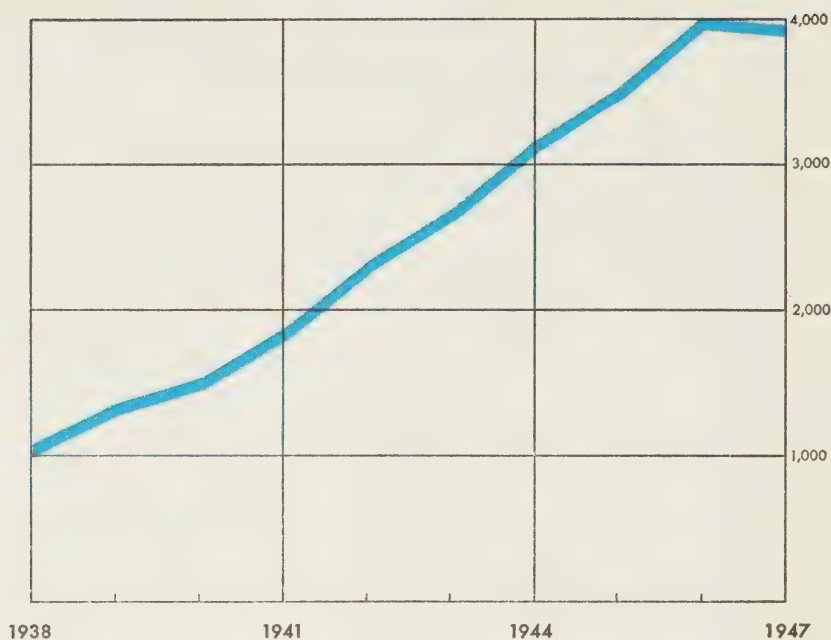
* Includes issue of \$112 million of Quebec Hydro debentures.

† Includes retirement of \$112 million in connection with Montreal Light, Heat & Power stock.

Money Supply and Related Bank Assets

During 1947 the Bank's Research Department developed a presentation of statistics concerning money supply and related bank assets which differs in several important respects from the table which has been presented in previous annual reports. It is believed that the new series provide a better approach to the problem of measuring changes in the volume of money under present-day conditions. In the belief that these statistics will be of interest to those who follow changes in monetary conditions, we are publishing them in this Appendix and also expect to publish them each month in the Bank's Statistical Summary.

In measuring the volume of money one must decide which categories of bank deposits should be classed as "money" and which, by their nature, should be regarded more appropriately as part of the public's other liquid asset holdings such as Government bonds. Generally, it has been satisfactory to classify bank deposits as "money" if cheques may be drawn against them. In other countries this criterion has seemed to work fairly well because cheques may not be drawn against savings deposits. In Canada, however, cheques are, in practice, drawn freely against savings deposits and this has always posed an awkward problem when trying to assemble volume of money statistics. To omit all savings deposits of chartered banks would ignore the obvious fact that for many people a savings account is an active chequing account which is very similar to a current deposit. On the other hand we know from available information that of the total amount on deposit in savings accounts in Canada, much the larger part is, in practice, inactive. Chartered banks pay interest on the minimum quarterly balances in personal savings accounts, i.e. on the sum which has been left undisturbed for the quarterly period; from the amount of interest which is actually paid on this basis as compared with the nominal rate of interest, it is apparent that the aggregate minimum quarterly balances in personal savings



MONEY SUPPLY
(As at December 31st in Millions of Dollars)

accounts are about five-sixths of the total of such deposits at the present time.

It is therefore felt that a more realistic picture of monetary developments in Canada—and one more comparable with the usual presentation of similar statistics in other countries—is obtained by omitting the minimum quarterly balances in personal savings deposits and non-personal notice deposits, from volume of money statistics. It has seemed preferable to exclude these deposits from the volume of money on the basis that they are inactive in practice rather than to include them on the grounds

that they are potentially active because cheques may be issued against them.

The published returns of Canadian chartered banks include among Assets "Cheques on Other Banks" which represents the amount of cheques which have been credited to the deposit account of the payee but not yet cleared against the deposit account of the drawer. To the extent of such items in "float" there is therefore duplication in the figures of bank deposits. In the table contained in this Appendix we have deducted "Cheques on Other Banks" from the figure of chartered bank deposits, in order to eliminate this duplication. A similar deduction is made in the United States in calculating their commercial banks' "Demand Deposits Adjusted".

Government deposits are given different treatment in different countries so far as volume of money statistics are concerned. In various countries including the United States the most commonly used figure of bank deposits excludes Government deposits. On the whole it appears preferable to exclude Dominion Government deposits from the volume of money.

In view of the foregoing items not having been included in the figure of "Money Supply" it has been necessary to make similar offsetting adjustments in the figures of related bank assets. Dominion Government Canadian dollar deposits at chartered banks and the Government account at Bank of Canada have been deducted from the total of Government investments held by Bank of Canada and chartered banks. The result of this deduction is a net figure of Government investments held by the banking system similar to that which would have existed had Government applied cash balances to redeem securities held by banks.

Aggregate minimum quarterly balances in personal savings deposits and non-personal notice deposits have also been shown as a deduction from related bank assets since the same items have been excluded from "Money Supply".

| MONEY SUPPLY | 1938 | 1939 | 1940 |
|--|-------|-------|-------|
| Currency Outside Banks | | | |
| Notes ⁽¹⁾ | 207 | 247 | 341 |
| Coin ⁽²⁾ | 31 | 34 | 38 |
| <i>Total Currency</i> | 238 | 281 | 379 |
| Bank Deposits | | | |
| Chartered Banks | | | |
| Demand ⁽³⁾ | 734 | 853 | 1,031 |
| Active Notice ⁽⁴⁾ | 187 | 197 | 203 |
| Other (excl. Dominion Govt.) ⁽⁵⁾ | 42 | 157 | 112 |
| <i>Total</i> | 963 | 1,207 | 1,346 |
| <i>Deduct Float</i> ⁽⁶⁾ | 116 | 136 | 172 |
| <i>Net Total</i> | 847 | 1,071 | 1,174 |
| Bank of Canada "Other" Deposits ⁽⁷⁾ | 3 | 18 | 10 |
| <i>Total Bank Deposits</i> | 850 | 1,089 | 1,184 |
| Money Supply | 1,088 | 1,370 | 1,563 |

RELATED BANK OF CANADA AND CHARTERED BANK ASSETS

| | | | |
|--|-------|-------|-------|
| Dominion Government Securities, Gold & Exchange | | | |
| Bank of Canada, Gold & Exchange ⁽⁸⁾ | 214 | 290 | 38 |
| Banking Securities ⁽⁹⁾ | 196 | 425 | 743 |
| Other Dominion Government Securities | | | |
| Bonds ⁽¹⁰⁾ | 753 | 752 | 737 |
| Victory Loan Advances ⁽¹¹⁾ | .. | .. | .. |
| <i>Total</i> | 753 | 752 | 737 |
| <i>Total Dom. Govt. Securities, Gold & Exch.</i> | 1,163 | 1,467 | 1,518 |
| <i>Deduct Dom. Govt. Deposits</i> ⁽¹²⁾ | 79 | 145 | 32 |
| <i>Net Total</i> | 1,084 | 1,322 | 1,486 |
| All other Loans and Investments ⁽¹³⁾ | 1,628 | 1,767 | 1,720 |
| <i>Deduct Inactive Notice Deposits</i> ⁽¹⁴⁾ | 1,472 | 1,544 | 1,438 |
| Total Related Bank Assets | 1,240 | 1,545 | 1,768 |

⁽¹⁾ Note circulation of Bank of Canada and chartered banks, excluding notes held by chartered banks.

⁽²⁾ Subsidiary coin issued by the Mint less coin held by Bank of Canada and chartered banks in Canada.

⁽³⁾ Chartered banks' public demand deposits in Canada.

⁽⁴⁾ Chartered banks' public notice deposits in Canada other than estimated aggregate quarterly minimum balances in personal savings accounts and non-personal notice deposits.

⁽⁵⁾ Chartered banks' Canadian dollar deposits of provincial governments, Canadian, United Kingdom, and foreign banks.

⁽⁶⁾ Cheques on banks as shown in chartered bank month-end returns to the Minister of Finance.

⁽⁷⁾ Bank of Canada Other Deposits as shown on published month-end statements—i.e. excluding Dominion Government, chartered banks and foreign deposits.

⁽⁸⁾ Bank of Canada gold and foreign exchange holdings less the amount of foreign currency deposit liabilities.

Related Bank Assets • (As at December 31st in Millions of Dollars)

| 1941 | 1942 | 1943 | 1944 | 1945 | 1946 | 1947 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 450 | 633 | 794 | 930 | 992 | 1,031 | 1,046 |
| 42 | 49 | 55 | 60 | 63 | 65 | 66 |
| <u>492</u> | <u>682</u> | <u>849</u> | <u>990</u> | <u>1,055</u> | <u>1,096</u> | <u>1,112</u> |
| 1,268 | 1,499 | 1,697 | 1,862 | 2,063 | 2,291 | 2,296 |
| 236 | 238 | 294 | 363 | 474 | 614 | 597 |
| 97 | 121 | 134 | 153 | 172 | 229 | 233 |
| <u>1,601</u> | <u>1,858</u> | <u>2,125</u> | <u>2,378</u> | <u>2,709</u> | <u>3,134</u> | <u>3,126</u> |
| <u>198</u> | <u>210</u> | <u>266</u> | <u>243</u> | <u>280</u> | <u>323</u> | <u>362</u> |
| 1,403 | 1,648 | 1,859 | 2,135 | 2,429 | 2,806 | 2,764 |
| 6 | 19 | 18 | 28 | 30 | 94 | 68 |
| <u>1,409</u> | <u>1,667</u> | <u>1,877</u> | <u>2,163</u> | <u>2,459</u> | <u>2,900</u> | <u>2,832</u> |
| <u>1,901</u> | <u>2,349</u> | <u>2,726</u> | <u>3,153</u> | <u>3,514</u> | <u>3,996</u> | <u>3,944</u> |
| 210 | | 1 | | | | |
| 973 | 1,614 | 2,093 | 2,321 | 1,696 | 1,476 | 811 |
| 798 | 1,014 | 1,410 | 2,006 | 3,241 | 3,745 | 3,718 |
| .. | 166 | 261 | 271 | 411 | .. | .. |
| 798 | 1,180 | 1,671 | 2,277 | 3,652 | 3,745 | 3,718 |
| 1,972 | 2,794 | 3,765 | 4,598 | 5,348 | 5,221 | 4,529 |
| <u>148</u> | <u>366</u> | <u>597</u> | <u>720</u> | <u>1,002</u> | <u>366</u> | <u>272</u> |
| 1,824 | 2,428 | 3,168 | 3,878 | 4,346 | 4,855 | 4,257 |
| 1,719 | 1,570 | 1,459 | 1,593 | 1,827 | 2,297 | 3,084 |
| <u>1,433</u> | <u>1,436</u> | <u>1,654</u> | <u>2,060</u> | <u>2,391</u> | <u>2,856</u> | <u>3,143</u> |
| <u>2,110</u> | <u>2,562</u> | <u>2,973</u> | <u>3,411</u> | <u>3,782</u> | <u>4,296</u> | <u>4,198</u> |

⑨ Bank of Canada and chartered bank holdings of Dominion Government Treasury Bills, Deposit Certificates, Treasury Notes and any other short term issues sold direct to bank of Canada and chartered banks.

⑩ Bank of Canada and chartered bank holdings of Dominion Government direct and guaranteed securities other than those shown as banking issues and exclusive of any temporary advances in connection with purchase of Victory Loan issues.

⑪ Chartered banks' temporary advances to the public in connection with the purchase of Victory Loan bonds at time of issue.

⑫ Canadian dollar deposits of the Dominion Government at chartered banks and Bank of Canada.

⑬ All loans in Canada of the chartered banks other than temporary advances in connection with Victory Loan issues, plus chartered banks' holdings of provincial, municipal and "other" securities, and Bank of Canada holdings of Industrial Development Bank capital stock.

⑭ Estimated aggregate minimum quarterly balances in chartered banks' personal savings deposits in Canada plus non-personal notice deposits in Canada.

APPENDIX C • Ownership of Dominion Government Direct a

| FUNDED DEBT | | 1938 | 1939 | 194 |
|--------------------------|----------------------|--------------|--------------|-------------|
| Total Funded Debt | | 4,401 | 4,611 | 5,17 |
| <i>Consisting of</i> | Banking Securities ① | 223 | 441 | 78 |
| | Bonds | 4,178 | 4,170 | 4,38 |

OWNERSHIP OF BONDS

| | | | | |
|--|---------------------------------------|--------------|--------------|-------------|
| Total Holdings of Bonds | | 4,178 | 4,170 | 4,38 |
| Holdings of all Government Accounts ② | | 96 | 109 | 8 |
| Holdings of Bank of Canada and Chartered Banks | | 753 | 752 | 73 |
| <i>Consisting of</i> | <i>Bonds</i> | 753 | 752 | 73 |
| | <i>Victory Loan Advances</i> ③ | .. | .. | .. |
| Holdings of Other Investors | | 3,329 | 3,309 | 3,56 |
| <i>Consisting of</i> | <i>Life Insurance Companies</i> | 522 | 548 | 62 |
| | <i>All other</i> | 2,807 | 2,761 | 2,93 |
| | <i>Deduct Victory Loan Advances</i> ④ | .. | .. | .. |

"OTHER INVESTORS" HOLDINGS OF BONDS AND INACTIVE NOTICE DEPOSITS

| | | | | |
|-----------------------------------|--|--------------|--------------|--------------|
| Bonds as per above | | 3,329 | 3,309 | 3,563 |
| Inactive Notice Deposits ⑤ | | 1,472 | 1,544 | 1,438 |
| Total | | 4,801 | 4,853 | 5,001 |

① Treasury Bills, Deposit Certificates, Treasury Notes and any other short term issues sold direct to Bank of Canada and chartered banks.

② Includes any bonds held by Unemployment Insurance Commission, Foreign Exchange Control Board, Custodian of Enemy Property, Export Credits Insurance Corporation, Securities Investment Account, Industrial Development Bank, Canadian Sugar Stabilization Corporation, National Harbours Board, Canadian National

Guaranteed Funded Debt • (As at December 31st in Millions of Dollars)

| 1941 | 1942 | 1943 | 1944 | 1945 | 1946 | 1947 |
|-------|-------|--------|--------|--------|--------|--------|
| 1,975 | 8,255 | 11,282 | 14,167 | 16,982 | 16,792 | 16,172 |
| 1,072 | 1,704 | 2,234 | 2,480 | 1,796 | 1,546 | 1,200 |
| 1,903 | 6,551 | 9,048 | 11,687 | 15,186 | 15,246 | 14,972 |
| 1,903 | 6,551 | 9,048 | 11,687 | 15,186 | 15,246 | 14,972 |
| 132 | 201 | 479 | 715 | 800 | 903 | 1,076 |
| 798 | 1,180 | 1,671 | 2,277 | 3,652 | 3,745 | 3,718 |
| 798 | 1,014 | 1,410 | 2,006 | 3,241 | 3,745 | 3,718 |
| .. | 166 | 261 | 271 | 411 | .. | .. |
| 3,973 | 5,170 | 6,853 | 8,695 | 10,734 | 10,598 | 10,178 |
| 753 | 994 | 1,335 | 1,655 | 1,995 | 2,183 | 2,198 |
| 3,220 | 4,342 | 5,779 | 7,311 | 9,150 | 8,415 | 7,980 |
| .. | 166 | 261 | 271 | 411 | .. | .. |
| 3,973 | 5,170 | 6,853 | 8,695 | 10,734 | 10,598 | 10,178 |
| 1,433 | 1,436 | 1,654 | 2,060 | 2,391 | 2,856 | 3,143 |
| 5,406 | 6,606 | 8,507 | 10,755 | 13,125 | 13,454 | 13,321 |

Railways, Canadian Wheat Board, Central Mortgage and Housing Corporation and Canadian Broadcasting Corporation.

③ ④ Chartered banks' temporary advances to the public in connection with the purchase of Victory Loan bonds at time of issue.

⑤ Estimated aggregate minimum quarterly balances in chartered banks' personal savings deposits in Canada plus non-personal notice deposits in Canada.

BOARD OF DIRECTORS



G. F. TOWERS, C.M.G., *Governor* D. GORDON, C.M.G., *Deputy Governor*

E. G. BAKER, *Toronto, Ont.*

W. D. BLACK, *Member of the Executive Committee, Hamilton, Ont.*

G. G. COOTE, *Nanton, Alta.*

J. L. HOLMAN, *Summerside, P.E.I.*

F. MAGEE, *Port Elgin, N.B.*

W. K. MCKEAN, *Halifax, N.S.*

A. STEWART McNICHOLS, *Montreal, Que.*

R. H. MILLIKEN, K.C., *Regina, Sask.*

A. C. PICARD, *Quebec, Que.*

E. J. TARR, K.C., *Winnipeg, Man.*

A. C. TAYLOR, C.B.E., *Vancouver, B.C.*



EX-OFFICIO MEMBER OF THE BOARD

W. C. CLARK, C.M.G., *Deputy Minister of Finance, Ottawa, Ont.*

OFFICERS



G. F. TOWERS, C.M.G., *Governor*

D. GORDON, C.M.G., *Deputy Governor*

L. P. SAINT-AMOUR, *Assistant Deputy Governor*

D. G. MARBLE, C.B.E., *Secretary*

D. A. SKELTON, *Research Advisor*

L. RASMINSKY, C.B.E., *Executive Assistant to the Governors*

J. E. COYNE, *Securities Advisor and Executive Assistant to the Governors*

SECRETARY'S DEPARTMENT

D. G. MARBLE, C.B.E., *Secretary*

C. H. RICHARDSON, *Deputy Secretary*

L. P. J. ROY, *Deputy Secretary*

L. F. MUNDY, *Deputy Secretary*

P. D. SMITH, *Assistant Deputy Secretary*

Foreign Exchange Division: S. TURK, *Chief*; W. A. CAMERON, *Deputy Chief*

Currency Division: C. E. CAMPBELL, *Chief*; J. P. MELVIN, *Deputy Chief*

Public Debt Division: M. G. ANDERSON, *Chief*

F. M. PETERS, *Deputy Chief*; H. W. THOMPSON, *Deputy Chief*

RESEARCH DEPARTMENT

J. R. BEATTIE, *Chief*

W. E. SCOTT, *Banking Assistant*

J. E. HOWES, *Administrative Assistant*

SECURITIES DEPARTMENT

H. G. GAMMELL, *Chief*

R. B. MCKIBBIN, *Deputy Chief*

J. W. GRANT, *Toronto, Ont.*

C. DE V. WELSFORD, *Montreal, Que.*

CHIEF ACCOUNTANT'S DEPARTMENT

H. R. EXTENCE, *Chief Accountant*

AUDIT DEPARTMENT

E. METCALFE, *Auditor*

AGENCIES



Calgary, Alta. . . . J. PARRY, *Agent*

Halifax, N.S. . . . W. D. FARRELL, *Agent*

Montreal, Que. . . . J. H. C. DESMARAIS, *Agent*

Ottawa, Ont. . . . P. B. WOOSTER, *Agent*

Regina, Sask. . . . F. J. WILKS, *Agent*

Saint John, N.B. . . . E. H. CAMERON, *Agent*

Toronto, Ont. . . . E. FRICKER, *Agent*

Vancouver, B.C. . . . W. MORTON, *Agent*

Winnipeg, Man. . . . G. A. IVEY, *Agent*

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